

The Financial Times of Indiana

Balanced budget news from the Office of Governor Frank O'Bannon

Thursday, December 20, 2001

www.IN.gov/gov

The News in brief.....

Even before the national recession hit Indiana, costs for Medicaid, the joint state-federal health-care program for the poor, were skyrocketing.

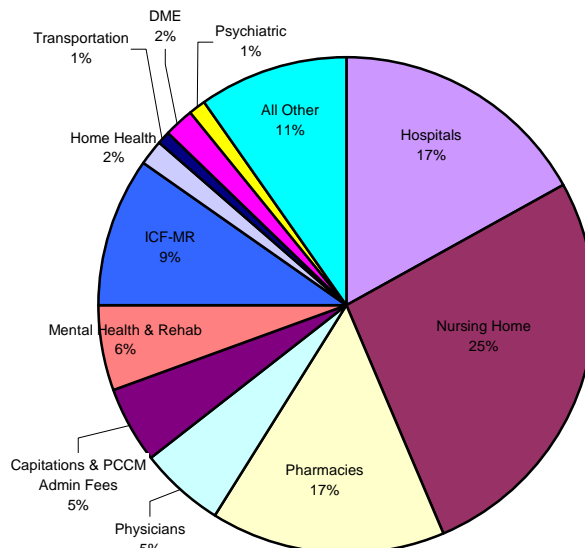
Pharmaceuticals and nursing home care are more costly and more in demand than ever. The recession has added to the state's budgetary pressures; Medicaid rolls of 700,000 are expected to grow by 60,000 people because of the economic downturn.

One of the pressures on the budget is the treatment of smoking-related illness, which costs Medicaid \$231.6 million a year. Governor O'Bannon and the General Assembly took a big step to discourage Hoosiers from smoking by using tobacco-settlement money for anti-smoking campaigns. Now the Governor wants to increase the cost of cigarettes to generate revenue to help balance the budget and reduce smoking.

Indiana has one of the lowest cigarette taxes in the country and, even with the increase, still will charge significantly less than some states. Research shows that higher cigarette prices keeps teenagers from starting and adults from continuing to smoke.

Medicaid and the Budget - SFY 2001

Source: Office of Medicaid Policy and Planning (OMPP)



What others say

"...Increasing the cigarette tax is in the best interest of all Indiana citizens, rich and poor. It is the right thing to do, and now is the right time to do it." — Muncie Star Press Dec. 12, 2001

<http://www.thestarpress.com/tsp/opinion/01/dec/1212editorialedop.php>

"...Increasing excise taxes not only provides a quick boost for sagging state revenues, it also offers a longer-term solution to exorbitant smoking-related health-care costs by reducing tobacco consumption and, therefore, tobacco-related diseases. Increasing tobacco taxes is especially effective in preventing youth from starting to smoke..." USA Today Dec. 17, 2001

For every 10 percent increase in the price of a pack of cigarettes there is a 4 percent decrease in the number of adults who smoke and a 7 percent decrease in the number of teenagers who smoke.

"Macro-Social Influences: The Effects of Prices and Tobacco Control Policies on the Demand for Tobacco Products, Nicotine & Tobacco Research" (1999)

Ask the Governor

Q. Why cigarettes to fix the budget problem?

A. Since I was elected, I have cut state spending to try to get the most out of every tax dollar. We have increased our investments in things Hoosiers agree are important --like education, roads and capital projects and tax cuts.

But the national recession is causing our revenues to decline. We have cut back more but we need to replace some of our "lost" revenue or we will have to eliminate some services that Hoosiers need.

Cigarette taxes in Indiana are among the lowest in the nation. Part of the increase in our Medicaid cost is due to the cost of treating people who use tobacco.

By increasing the cost of cigarettes, we will discourage teens from starting; we might get some adults to kick the habit; and if we have fewer smokers, we'll decrease our Medicaid costs. So we'll be improving Hoosiers' health AND cutting state costs as we also address our budget.

Want to learn more?

<http://www.itpc.in.gov/>

Did You Know?

- Medicaid helps 1 in every 8 Hoosiers get health care.
- Medicaid pays \$231.6 million/year to treat tobacco-related illnesses.
- For the cost of keeping 1 person in a nursing home, 2 others can receive similar care at home or from community based services.
- Medicaid's prescription drug bill will grow by about 25% next year without the Governor's plan.
- The average price to Medicaid per prescription has increased 61 percent from 1996 to 2001.
- Medicaid pays health care costs for 2 out of every 3 Hoosiers in nursing homes.

How can 50¢ save 14,000 lives and \$26 million? Check it out at: <http://tobaccofreekids.org/research/factsheets/pdf/0148.pdf>